



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE

April 2, 2003

Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on Union County, Iowa.

The County had local tax revenue of \$11,912,509 for the year ended June 30, 2002, which included \$959,194 in tax credits from the state. The County forwarded \$8,391,989 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,520,520 of the local tax revenue to finance County operations, a 13 percent increase from the prior year. Other revenues included \$3,777,062 from the state, including indirect federal funding, and \$165,807 in interest on investments.

Expenditures for County operations totaled \$7,531,326, a 3 percent increase from the prior year. Expenditures included \$2,208,228 for roads and transportation, \$1,518,334 for mental health and \$1,003,680 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's Office.

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UNION COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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Union County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael J. King	Board of Supervisors	Jan 2003
Gerald McLain	Board of Supervisors	Jan 2003
Michael Reasoner	Board of Supervisors	Jan 2003
Don Irelan	Board of Supervisors	Jan 2005
Robert G. Brown	Board of Supervisors	Jan 2005
Sandy Hysell (Appointed)	County Auditor	Nov 2002
Francis I. Bakerink	County Treasurer	Jan 2003
Paula Bowers	County Recorder	Jan 2003
Rick L. Piel	County Sheriff	Jan 2005
Timothy R. Kenyon	County Attorney	Jan 2003
Steven Gene Haner	County Assessor	Jan 2004

Union County



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Independent Auditor's Report

To the Officials of Union County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Union County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Union County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the above paragraph, the general purpose financial statements referred to above present fairly in all material respects, the financial position of Union County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust funds of Union County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2003 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 13 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

January 30, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Financial Statements

Union County
Combined Balance Sheet
All Fund Types and Account Group
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and pooled investments:				
County Treasurer	\$ 666,859	2,339,681	-	-
Other County officials	-	-	-	-
Cash held in escrow by South Iowa Area Detention Service Agency (note 5)	-	-	-	15,000
Receivables:				
Property tax:				
Delinquent	4,578	3,733	671,429	-
Succeeding year	1,605,000	1,131,000	615,000	-
Interest and penalty on property tax	85,428	-	-	-
Accounts	8,062	779	-	-
Accrued interest	4,946	-	-	-
Special assessments	-	-	-	-
Due from other funds (note 3)	21,434	338	-	-
Due from other governments	28,316	151,987	-	-
Inventories	-	121,261	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	\$ 2,424,623	3,748,779	1,286,429	15,000

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	Total
<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
49,203	1,760,329	-	4,816,072
-	20,783	-	20,783
-	-	-	15,000
-	148,457	-	828,197
-	7,135,000	-	10,486,000
-	-	-	85,428
13,158	33,813	-	55,812
-	3,629	-	8,575
-	730	-	730
43,639	16,187	-	81,598
-	16,187	-	196,490
-	-	-	121,261
-	-	15,000	15,000
-	-	5,337,803	5,337,803
106,000	9,135,115	5,352,803	22,068,749

Union County
Combined Balance Sheet
All Fund Types and Account Group
June 30, 2002

	Governmental Fund			Types
	General	Special Revenue	Debt Service	Capital Projects
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 40,135	134,885	-	45,792
Salaries and benefits payable	7,676	20,370	-	-
Due to other funds (note 3)	59,826	-	-	-
Due to other governments (note 4)	407	126,663	-	-
Trusts payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	1,605,000	1,131,000	615,000	-
Other	93,747	3,724	671,429	-
Capital loan note certificates (note 5)	-	-	-	-
Capital loan notes (note 5)	-	-	-	-
Compensated absences	13,663	8,914	-	-
Total liabilities	1,820,454	1,425,556	1,286,429	45,792
Fund equity:				
Fund balances:				
Reserved for:				
Inventories	-	121,261	-	-
Supplemental levy purposes	134,991	-	-	-
Debt service	-	-	-	15,000
Unreserved	469,178	2,201,962	-	(45,792)
Total fund equity	604,169	2,323,223	-	(30,792)
Total liabilities and fund equity	\$ 2,424,623	3,748,779	1,286,429	15,000

See notes to financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	
<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
106,000	65,532	-	392,344
-	109	-	28,155
-	21,772	-	81,598
-	8,770,729	-	8,897,799
-	32,868	-	32,868
-	-	-	3,351,000
-	-	-	768,900
-	-	87,500	87,500
-	-	5,175,000	5,175,000
-	7,073	90,303	119,953
106,000	8,898,083	5,352,803	18,935,117
-	-	-	121,261
-	-	-	134,991
-	-	-	15,000
-	237,032	-	2,862,380
-	237,032	-	3,133,632
106,000	9,135,115	5,352,803	22,068,749

Union County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 1,887,849	1,381,877
Interest and penalty on property tax	44,220	-
Intergovernmental	400,811	3,681,005
Licenses and permits	5,681	6,815
Charges for service	309,352	10,791
Use of money and property	198,169	3,768
Miscellaneous	16,423	106,723
Total revenues	2,862,505	5,190,979
Expenditures:		
Operating:		
Public safety	930,340	73,340
Court services	35,381	-
Physical health and education	132,625	51,901
Mental health	-	1,518,334
Social services	129,453	-
County environment	212,687	47,690
Roads and transportation	-	2,208,228
State and local government services	350,770	-
Interprogram services	930,718	-
Debt service	114,796	-
Capital projects	6,404	191,627
Total expenditures	2,843,174	4,091,120
Excess (deficiency) of revenues over (under) expenditures	19,331	1,099,859

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	3,269,726
-	-	-	44,220
-	-	-	4,081,816
-	-	-	12,496
-	-	-	320,143
16,082	-	15,049	233,068
-	-	36,170	159,316
16,082	-	51,219	8,120,785
-	-	-	1,003,680
-	-	-	35,381
-	-	-	184,526
-	-	-	1,518,334
-	-	-	129,453
-	-	-	260,377
-	-	-	2,208,228
-	-	-	350,770
-	-	-	930,718
427,654	-	-	542,450
-	169,378	-	367,409
427,654	169,378	-	7,531,326
(411,572)	(169,378)	51,219	589,459

Union County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Other financing sources (uses):		
Sale of general fixed assets	27	1,434
Operating transfers in	-	455,572
Operating transfers out	(17,897)	(446,649)
Total other financing sources (uses)	(17,870)	10,357
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,461	1,110,216
Fund balances beginning of year	602,708	1,185,780
Increase in reserve for inventories	-	27,227
Fund balances end of year	\$ 604,169	2,323,223

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	1,461
-	125,103	-	580,675
-	-	(116,129)	(580,675)
-	125,103	(116,129)	1,461
(411,572)	(44,275)	(64,910)	590,920
411,572	13,483	301,942	2,515,485
-	-	-	27,227
-	(30,792)	237,032	3,133,632

Exhibit C

Union County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 2002

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 3,272,755	3,936,102	(663,347)	83%
Interest and penalty on property tax	44,220	30,600	13,620	145%
Intergovernmental	4,048,212	3,373,499	674,713	120%
Licenses and permits	13,544	10,562	2,982	128%
Charges for service	337,033	255,870	81,163	132%
Use of money and property	241,417	224,620	16,797	107%
Miscellaneous	197,180	900,000	(702,820)	22%
Total receipts	<u>8,154,361</u>	<u>8,731,253</u>	<u>(576,892)</u>	<u>93%</u>
Disbursements:				
Public safety	1,000,645	1,039,971	39,326	96%
Court services	33,461	48,500	15,039	69%
Physical health and education	153,402	149,830	(3,572)	102%
Mental health	1,525,981	1,526,024	43	100%
Social services	129,594	215,040	85,446	60%
County environment	252,171	278,849	26,678	90%
Roads and transportation	2,155,642	2,498,445	342,803	86%
State and local government services	347,647	374,204	26,557	93%
Interprogram services	949,483	1,010,781	61,298	94%
Debt service	542,450	552,052	9,602	98%
Capital projects	325,799	676,256	350,457	48%
Total disbursements	<u>7,416,275</u>	<u>8,369,952</u>	<u>953,677</u>	<u>89%</u>
Excess of receipts over disbursements	738,086	361,301		
Other financing sources, net	1,461	8,700		
Balance beginning of year	<u>2,526,632</u>	<u>1,240,937</u>		
Balance end of year	<u>\$ 3,266,179</u>	<u>1,610,938</u>		

See notes to financial statements.

Union County
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2002

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 791,868
Reimbursements from employees		81,052
Insurance reimbursements		<u>33,295</u>
Total operating revenues		906,215
Operating expenses:		
Medical claims	\$ 710,952	
Administrative fees	50,025	
Insurance premiums	148,692	
Miscellaneous	<u>3,464</u>	<u>913,133</u>
Operating loss		(6,918)
Non-operating revenues:		
Interest on investments		<u>1,518</u>
Net loss		(5,400)
Retained earnings beginning of year		<u>5,400</u>
Retained earnings end of year		<u><u>\$ -</u></u>

See notes to financial statements.

Exhibit E

Union County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2002

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 791,868
Cash received from employees and others	113,846
Cash payments for insurance premiums, medical claims and other	<u>(913,362)</u>
Net cash used by operating activities	(7,648)
Cash flows from investing activities:	
Interest on investments	<u>1,518</u>
Net decrease in cash and cash equivalents	(6,130)
Cash and cash equivalents beginning of year	<u>55,333</u>
Cash and cash equivalents end of year	<u><u>\$ 49,203</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (6,918)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	7,979
(Increase) in due from other funds	(8,480)
(Decrease) in accounts payable	<u>(229)</u>
Net cash used by operating activities	<u><u>\$ (7,648)</u></u>

See notes to financial statements.

Union County
Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

Union County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

A. Reporting Entity

For financial reporting purposes, Union County has included all funds, organizations, account group, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, South Iowa Area Detention Service Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and an account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account group and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services purchased by one Department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include Expendable Trust Funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this Account Group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources”. Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measured and available only when cash is received by the County.

Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessment receivable represent the amount already assessed to individuals for work done which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due From and Due To Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Due to Other Governments – Due to other governments represents tax and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. For Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of compensatory time and vacation payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except internal service and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, the debt service funds, capital projects funds and expendable trust funds. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 2,879,765	(17,260)	2,862,505	5,207,977	(16,998)	5,190,979
Expenditures	2,815,704	27,470	2,843,174	4,047,814	43,306	4,091,120
Net	64,061	(44,730)	19,331	1,160,163	(60,304)	1,099,859
Other financing sources (uses)	(17,870)	-	(17,870)	10,357	-	10,357
Beginning fund balances	629,029	(26,321)	602,708	1,169,161	16,619	1,185,780
Increase in reserve for inventories	-	-	-	-	27,227	27,227
Ending fund balances	\$ 675,220	(71,051)	604,169	2,339,681	(16,458)	2,323,223

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 16,082	-	16,082	-	-	-
Expenditures	427,654	-	427,654	125,103	44,275	169,378
Net	(411,572)	-	(411,572)	(125,103)	(44,275)	(169,378)
Other financing sources (uses)	-	-	-	125,103	-	125,103
Beginning fund balances	411,572	-	411,572	15,000	(1,517)	13,483
Increase in reserve for inventories	-	-	-	-	-	-
Ending fund balances	\$ -	-	-	15,000	(45,792)	(30,792)

	Fiduciary Fund Type			Total		
	Expendable Trust					
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 50,537	682	51,219	8,154,361	(33,576)	8,120,785
Expenditures	-	-	-	7,416,275	115,051	7,531,326
Net	50,537	682	51,219	738,086	(148,627)	589,459
Other financing sources (uses)	(116,129)	-	(116,129)	1,461	-	1,461
Beginning fund balances	301,870	72	301,942	2,526,632	(11,147)	2,515,485
Increase in reserve for inventories	-	-	-	-	27,227	27,227
Ending fund balances	\$ 236,278	754	237,032	3,266,179	(132,547)	3,133,632

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,260 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002, is as follows:

Receivable Fund	Payable Fund	Amount
General		
	Trust and Agency:	
	County Auditor	\$ 50
	County Recorder	6,675
	Auto License and Use Tax	6,128
	Law Enforcement Center	8,361
	Sanitary Landfill	220
Special Revenue:		
County Recorder's Records Management	Trust and Agency: County Recorder	338
Internal Service:		
Employee Group Health	General	43,639
Trust and Agency: Law Enforcement Center	General	16,187
Total		<u>\$ 81,598</u>

(4) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 407
Special Revenue:		
Mental Health	Services	126,663
Trust and Agency:		
Agricultural Extension Education	Collections	81,412
County Assessor		214,173
Schools		3,860,228
Community Colleges		178,426
Corporations		2,335,447
Townships		23,512
Auto License and Use Tax		216,532
Fire Districts		77,796
Emergency Management Services		48,232
County Hospital		687,699
Law Enforcement Center		8,774
Sanitary Landfill		590,432
Southern Iowa Landfill		
Organization		160,585
Closure and Post Closure		205,175
Empowerment Area Funds		72,271
All other		10,035
		<u>8,770,729</u>
Total		<u>\$ 8,897,799</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Deferred Payment Contract	Capital Loan Note Certificates	Capital Loan Notes	Compen- sated Absences	Total
Balance beginning of year	\$ 47,000	106,000	5,370,000	99,280	5,622,280
Additions	-	-	-	-	-
Reductions	47,000	18,500	195,000	8,977	269,477
Balance end of year	\$ -	87,500	5,175,000	90,303	5,352,803

Capital Loan Note Certificates

Union County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Union County at June 30, 2002. The notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2003	6.80%	\$ 19,500	6,065	25,565
2004	6.90%	21,000	4,739	25,739
2005	7.00%	22,500	3,290	25,790
2006	7.00%	24,500	1,715	26,215
Total		\$ 87,500	15,809	103,309

During the year ended June 30, 2002, \$18,500 of capital loan note certificates were retired.

Capital Loan Notes

The County issued \$4,325,000 of general obligation capital loan notes dated October 1, 1997 for an urban renewal project, in accordance with Chapter 403 of the Code of Iowa, including grant incentives to CF Processing L.C. The notes, with 7.14% per annum interest, are payable from a continuing annual levy of taxes against all taxable property of the County. On October 6, 1997, the County entered into a tax increment development agreement with the City of Creston, Crestland Cooperative and CF Processing L.C. which provides for supplemental payments to be made to the County in the event that taxes are insufficient to service the debt and establishes a minimum assessment. On September 26, 2001, Crestland Cooperative filed for bankruptcy. Due to the bankruptcy, the County did not receive tax increment financing revenues during the year ended June 30, 2002. Of the \$541,752 principal and interest due during the year ended June 30, 2002, \$426,956 was paid from the Debt Service Fund and \$114,796 was paid from the General Fund. For the year ending June 30, 2003, the County has budgeted the principal and interest due on the notes in the General Fund. In the future, the County may levy taxes in the Debt Service Fund against all taxable property of the County.

The County also issued \$1,560,000 of general obligation capital loan notes dated June 1, 1998 for road construction and water and sewer construction in the Union County/Creston Urban Renewal Area. The notes, with interest ranging from 4.70% to 4.85% per annum, are payable from a continuing annual levy of taxes against all taxable property of the County.

A summary of the annual note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Series 1997		Series 1998		Total	
	Issued Oct 1, 1997		Issued Jun 1, 1998			
	Principal Amount	Interest	Principal Amount	Interest	Principal Amount	Interest
2003	\$ 210,000	258,111	\$ -	74,718	\$ 210,000	332,829
2004	225,000	243,117	-	74,718	225,000	317,835
2005	240,000	227,052	-	74,718	240,000	301,770
2006	260,000	209,916	-	74,718	260,000	284,634
2007	275,000	191,352	-	74,718	275,000	266,070
2008	295,000	171,717	-	74,718	295,000	246,435
2009	320,000	150,654	-	74,718	320,000	225,372
2010	340,000	127,806	-	74,718	340,000	202,524
2011-2017	1,450,000	250,257	1,560,000	433,521	3,010,000	683,778
Total	\$3,615,000	1,829,982	\$1,560,000	1,031,265	\$ 5,175,000	2,861,247

Law Enforcement Center Bank Loan

On October 27, 2000, the Law Enforcement Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, entered into a loan agreement with Iowa State Savings Bank of Creston to borrow \$80,000 for updating the Union County Dispatch Center. The loan requires five annual payments of \$18,061 beginning January 15, 2001, including interest at 5.75% per annum. The balance owed on the loan was \$48,497 at June 30, 2002.

Since the interest and loan principal is to be paid exclusively from Law Enforcement Center revenues, this liability has not been recorded in the General Long-term Debt Account Group on Exhibit A. The transactions for this loan are accounted for in an Agency Fund.

(6) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$109,171, \$107,214, and \$103,316, respectively, equal to the required contributions for each year.

(7) Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Employee Group Health Plan

The Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly service fees and claims processed are paid to American Administrators from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002, was \$791,868.

Amounts payable from the Employee Group Health Fund at June 30, 2002 total \$106,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 106,229
Incurred claims (including claims incurred but not reported at June 30, 2002)	710,723
Payment of claims	<u>(710,952)</u>
Unpaid claims at June 30, 2002	<u>\$ 106,000</u>

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by service area or amounts appropriated by department. During the year ended June 30, 2002, disbursements exceeded the amount budgeted in the Physical Health and Education Service Area and disbursements in two departments exceeded the amounts appropriated before amendment.

(10) Health Care Facility and Industrial Development Revenue Bonds

The County has issued \$4,900,000 of Health Care Facility and Industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely out of revenues derived from a loan agreement entered into between the issuer and borrower, and the bond principal and interest do not constitute a liability to the County.

(11) Loan Guarantee

Southwest Iowa Residential Facility, Inc. received a \$200,000 Farmers Home Administration (FmHA) loan in June, 1987 to assist in the construction of two group homes for mentally handicapped adults. Other financing for the project was provided through the Iowa Community Development Block Grant Program. Annual payments for the FmHA loan are to be made by Southwest Iowa Residential Facility, Inc. through June, 2011. However, Union County has agreed to guarantee these payments in the event that the Southwest Iowa Residential Facility is unable to make the payments. At June 30, 2002, the balance of the loan was \$119,027.

(12) Hospital Revenue Capital Loan Notes

The County has issued \$1,021,500 of Hospital Revenue Capital Loan Notes pursuant to Chapters 331.402(3) and 331.461(1)(d) of the Code of Iowa. The notes and related interest are payable solely out of the net earnings of the Hospital and do not constitute liabilities of the County. Because the notes are to be paid from other than County resources, they are not reported in the general long-term debt account group.

(13) Jointly Governed Organization

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2002:

Additions:

Contributions from governmental units:		
Union County	\$	54,631
City of Creston		54,630
Miscellaneous		505
Total additions		<u>109,766</u>

Deductions:

Office supplies	3,329	
Telephone	7,548	
Computer software maintenance	330	
Office equipment and repair	12,652	
Contractual services	9,877	
Janitorial	3,638	
Utilities	13,111	
Insurance	1,399	
Debt service:		
Principal redeemed	14,447	
Interest paid	3,614	
Building improvements	24,539	
Miscellaneous	2,674	
	<u>97,158</u>	

Net		<u>12,608</u>
Balance beginning of year		<u>19,766</u>
Balance end of year		<u>\$ 32,374</u>

(14) Deficit Fund Balance

The Conservation Capital Projects Fund had a deficit fund balance at June 30, 2002. The deficit will be eliminated through transfers from other funds.

Supplemental Information

Union County

Union County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 1,726,444	
Utility tax replacement excise tax	157,158	
Other	<u>4,247</u>	\$ 1,887,849

Interest and penalty on property tax		44,220
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Intergovernmental:

State shared revenues:

Franchise tax	<u>31,542</u>	
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State grants and reimbursements including indirect federal funding:

Public health grants	79,026	
Human services administrative reimbursement	32,731	
Emergency medical services	10,656	
Other	<u>13,073</u>	
	<u>135,486</u>	

State tax replacements:

State tax credits	159,683	
State allocation	<u>28,854</u>	
	<u>188,537</u>	

Direct federal grants and entitlements:

Other	<u>4,570</u>	
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Contributions and reimbursements from other governmental units

<u>37,090</u>	
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Payments in lieu of taxes	<u>3,586</u>	400,811
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Licenses and permits		5,681
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Charges for service:

Office fees and collections	111,664	
Auto registration, use tax, drivers license and mailing	95,361	
Camping fees	82,821	
Other	<u>19,506</u>	309,352

Schedule 1

Union County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Use of money and property:		
Interest on investments	133,580	
Land and building rent	60,516	
Other	<u>4,073</u>	198,169
Miscellaneous		<u>16,423</u>
Total revenues		<u>2,862,505</u>
Expenditures:		
Operating:		
Public safety		930,340
Court services		35,381
Physical health and education		132,625
Social services		129,453
County environment		212,687
State and local government services		350,770
Interprogram services		930,718
Debt service		114,796
Capital projects		<u>6,404</u>
Total expenditures		<u>2,843,174</u>
Excess of revenues over expenditures		<u>19,331</u>
Other financing sources (uses):		
Sale of general fixed assets		27
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(17,897)</u>
Total other financing sources (uses)		<u>(17,870)</u>
Excess of revenues and other financing sources over expenditures and other financing uses		1,461
Fund balance beginning of year		<u>602,708</u>
Fund balance end of year		<u>\$ 604,169</u>

See accompanying independent auditor's report.

Union County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 202,737
Investigations	75
Unified law enforcement	54,630
Law enforcement communication	88,284
Adult correctional services	269,273
Administration	114,872
	<u>729,871</u>

Legal services:

Criminal prosecution	116,143
Medical examinations	18,730
	<u>134,873</u>

Emergency services:

Ambulance services	3,988
Emergency management	61,608
	<u>65,596</u>
	\$ 930,340

Court Services Service Area:

Assistance to district court system:

Physical operations	<u>3,966</u>
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Court proceedings:

Legal defense for indigent	737
Court costs	1,550
	<u>2,287</u>

Juvenile justice administration:

Juvenile representation services	21,666
Court-appointed attorneys and court costs for juveniles	7,462
	<u>29,128</u>
	35,381

Physical Health and Education Service Area:

Physical health services:

Personal and family health services	94,773
Sanitation	17,252
	<u>112,025</u>

Educational services:

Historic preservation	2,500
Fair and 4-H Clubs	18,100
	<u>20,600</u>
	132,625

Schedule 2

Union County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

Administration

41,540

General welfare services

17,866

59,406

Services to military veterans:

Administration

9,685

General services to veterans

12,809

22,494

Services to other adults:

Services to the elderly

14,978

Chemical dependency:

Treatment services

32,575

129,453

County Environment Service Area:

Conservation and recreation services:

Administration

141,849

Maintenance and operations

45,867

187,716

Animal control:

Animal bounties and state apiarist expenses

21

County development:

Land use and building controls

2,761

Economic development

22,189

24,950

212,687

State and Local Government Services Service Area:

Representation services:

Elections administration

50,755

Local elections

12,564

Township officials

5,184

Deferred payment contract:

Principal redeemed

47,000

115,503

State administrative services:

Motor vehicle registrations and licensing

124,747

Recording of public documents

110,520

235,267

350,770

Union County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Interprogram Services Service Area:

Policy and administration:

General County management	271,261	
Administration management services	86,823	
Treasury management services	93,400	
Other policy and administration	29,370	
	<u>480,854</u>	

Central services:

General services	213,415	
Data processing services	89,532	
	<u>302,947</u>	

Risk management services:

Tort liability	145,794	
Unemployment compensation	1,123	
	<u>146,917</u>	930,718

Debt Service Service Area:

Principal redeemed	57,398	
Interest paid	57,398	
	<u>114,796</u>	114,796

Capital Projects Service Area:

Conservation land acquisition		<u>6,404</u>
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Total		<u><u>\$ 2,843,174</u></u>
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See accompanying independent auditor's report.

Union County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 255,590	1,820,456
Receivables:		
Property tax:		
Delinquent	2,034	-
Succeeding year	524,000	-
Accounts	-	779
Due from other funds	-	-
Due from other governments	-	151,987
Inventories	-	121,261
Total assets	\$ 781,624	2,094,483
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 1,315	89,606
Salaries and benefits payable	2,195	17,390
Due to other governments	-	-
Deferred revenue:		
Succeeding year property tax	524,000	-
Other	2,036	-
Compensated absences	-	8,914
Total liabilities	529,546	115,910
Fund equity:		
Fund balances:		
Reserved for inventories	-	121,261
Unreserved	252,078	1,857,312
Total fund equity	252,078	1,978,573
Total liabilities and fund equity	\$ 781,624	2,094,483

See accompanying independent auditor's report.

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
209,609	19,676	8,351	25,999	2,339,681
1,699	-	-	-	3,733
607,000	-	-	-	1,131,000
-	-	-	-	779
-	-	-	338	338
-	-	-	-	151,987
-	-	-	-	121,261
818,308	19,676	8,351	26,337	3,748,779
43,092	-	872	-	134,885
785	-	-	-	20,370
126,663	-	-	-	126,663
607,000	-	-	-	1,131,000
1,688	-	-	-	3,724
-	-	-	-	8,914
779,228	-	872	-	1,425,556
-	-	-	-	121,261
39,080	19,676	7,479	26,337	2,201,962
39,080	19,676	7,479	26,337	2,323,223
818,308	19,676	8,351	26,337	3,748,779

Union County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

	Rural Services	Secondary Roads
Revenues:		
Property and other County tax:		
Property tax	\$ 611,346	-
Utility tax replacement excise tax	69,311	-
Other	658	-
	<u>681,315</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	1,784,722
Other	-	100
	<u>-</u>	<u>1,784,822</u>
State grants and reimbursements including indirect federal funding:		
Resource enhancement and protection	-	-
Highway planning and construction grant	-	93,770
Social services block grant	-	-
Well testing and abandonment	8,263	-
Mental health risk pool allocation	-	-
MH-DD community services fund allocation	-	-
	<u>8,263</u>	<u>93,770</u>
State tax replacements:		
State tax credits	39,910	-
State allocation	21,487	-
Mental health property tax relief	-	-
MH-DD allowed growth factor adjustment	-	-
	<u>61,397</u>	<u>-</u>
Direct federal grants and entitlements:		
Medicaid	-	-
Contributions and reimbursements from other governmental units:		
Transfer of road jurisdiction funding	-	900,000
Other	-	-
	<u>-</u>	<u>900,000</u>
	<u>69,660</u>	<u>2,778,592</u>
Licenses and permits	6,130	685
Charges for service	-	671
Use of money and property:		
Interest on investments	-	-
Other	497	2,175
	<u>497</u>	<u>2,175</u>

Mental Health	Resource Enhance-ment and Protection	Flood and Erosion	County Recorder's Records Management	Total
640,661	-	-	-	1,252,007
58,327	-	-	-	127,638
1,574	-	-	-	2,232
700,562	-	-	-	1,381,877
-	-	-	-	1,784,722
-	-	-	-	100
-	-	-	-	1,784,822
-	9,147	-	-	9,147
-	-	-	-	93,770
74,881	-	-	-	74,881
-	-	-	-	8,263
131,717	-	-	-	131,717
98,278	-	-	-	98,278
304,876	9,147	-	-	416,056
51,201	-	-	-	91,111
-	-	17,667	-	39,154
396,166	-	-	-	396,166
44,982	-	-	-	44,982
492,349	-	17,667	-	571,413
8,064	-	-	-	8,064
-	-	-	-	900,000
650	-	-	-	650
650	-	-	-	900,650
805,939	9,147	17,667	-	3,681,005
-	-	-	-	6,815
6,493	-	-	3,627	10,791
-	550	-	546	1,096
-	-	-	-	2,672
-	550	-	546	3,768

Union County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	104,543
Other	500	1,680
	500	106,223
Total revenues	758,102	2,888,346
Expenditures:		
Operating:		
Public Safety Service Area:		
Law enforcement:		
Uniformed patrol services	56,863	-
Emergency Services:		
Fire protection services	3,000	-
E911 service board	13,477	-
	16,477	-
	73,340	-
Physical Health and Education Service Area:		
Physical health services:		
Sanitation	34,401	-
Educational services:		
Libraries	17,500	-
	51,901	-
Mental Health Service Area:		
Persons with mental health problems - mental illness:		
Treatment services	-	-
Vocational services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	-	-
Persons with chronic mental illness:		
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	-	-

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
-	-	-	-	104,543
-	-	-	-	2,180
-	-	-	-	106,723
1,512,994	9,697	17,667	4,173	5,190,979
-	-	-	-	56,863
-	-	-	-	3,000
-	-	-	-	13,477
-	-	-	-	16,477
-	-	-	-	73,340
-	-	-	-	34,401
-	-	-	-	17,500
-	-	-	-	51,901
124,437	-	-	-	124,437
599	-	-	-	599
8,834	-	-	-	8,834
12,632	-	-	-	12,632
146,502	-	-	-	146,502
450	-	-	-	450
2,677	-	-	-	2,677
32,557	-	-	-	32,557
30,609	-	-	-	30,609
138,833	-	-	-	138,833
27,057	-	-	-	27,057
232,183	-	-	-	232,183

Union County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental Health Service Area:		
Persons with mental retardation:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	-	-
Persons with other developmental disabilities:		
Coordination services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
	-	-
	-	-
County Environment Service Area:		
Environmental quality:		
Natural resources conservation	-	-
Weed eradication	28,004	-
	28,004	-
Roads and Transportation Service Area:		
Secondary roads administration and engineering:		
Administration	-	169,739
Engineering	-	131,062
	-	300,801
Roadway maintenance:		
Bridges and culverts	-	127,577
Roads	-	1,240,744
Snow and ice control	-	39,350
Traffic controls	-	52,145
Road clearing	69,203	-
	69,203	1,459,816

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
31,771	-	-	-	31,771
15,546	-	-	-	15,546
21,552	-	-	-	21,552
226,918	-	-	-	226,918
607,925	-	-	-	607,925
150,762	-	-	-	150,762
1,054,474	-	-	-	1,054,474
135	-	-	-	135
10,409	-	-	-	10,409
74,631	-	-	-	74,631
85,175	-	-	-	85,175
1,518,334	-	-	-	1,518,334
-	-	19,686	-	19,686
-	-	-	-	28,004
-	-	19,686	-	47,690
-	-	-	-	169,739
-	-	-	-	131,062
-	-	-	-	300,801
-	-	-	-	127,577
-	-	-	-	1,240,744
-	-	-	-	39,350
-	-	-	-	52,145
-	-	-	-	69,203
-	-	-	-	1,529,019

Union County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Roads and Transportation Service Area:		
General roadway:		
Equipment	-	28,150
Equipment operations	-	338,247
Tools, materials, and supplies	-	7,952
Real estate and buildings	-	4,059
	-	378,408
	69,203	2,139,025
Capital Projects Service Area:		
Roadway construction	-	191,627
Total expenditures	222,448	2,330,652
Excess (deficiency) of revenues over (under) expenditures	535,654	557,694
Other financing sources (uses):		
Sale of general fixed assets	-	1,434
Operating transfers in (out):		
General	-	17,897
Special Revenue:		
Rural Services	-	437,675
Secondary Roads	(437,675)	-
Capital Projects:		
Conservation Capital Projects	-	-
Total other financing sources (uses)	(437,675)	457,006
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	97,979	1,014,700
Fund balances beginning of year	154,099	936,646
Increase in reserve for inventories	-	27,227
Fund balances end of year	\$ 252,078	1,978,573

See accompanying independent auditor's report.

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
-	-	-	-	28,150
-	-	-	-	338,247
-	-	-	-	7,952
-	-	-	-	4,059
-	-	-	-	378,408
-	-	-	-	2,208,228
-	-	-	-	191,627
1,518,334	-	19,686	-	4,091,120
(5,340)	9,697	(2,019)	4,173	1,099,859
-	-	-	-	1,434
-	-	-	-	17,897
-	-	-	-	437,675
-	-	-	-	(437,675)
-	(8,974)	-	-	(8,974)
-	(8,974)	-	-	10,357
(5,340)	723	(2,019)	4,173	1,110,216
44,420	18,953	9,498	22,164	1,185,780
-	-	-	-	27,227
39,080	19,676	7,479	26,337	2,323,223

Schedule 5

Union County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

		<u>Urban Renewal Debt</u>
Revenues:		
Use of money and property:		
Interest on investments		\$ 16,082
Expenditures:		
Debt Service Service Area:		
Principal redeemed	\$ 137,602	
Interest paid	289,354	
Fiscal charges	<u>698</u>	
Total expenditures		<u>427,654</u>
Deficiency of revenues under expenditures		(411,572)
Fund balance beginning of year		<u>411,572</u>
Fund balance end of year		<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Union County
Capital Projects Funds
Combining Balance Sheet
June 30, 2002

	Detention Center	Conservation Capital Projects	Total
Assets			
Cash held in escrow by South Iowa Area Detention Service Agency	\$ 15,000	-	15,000
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	45,792	45,792
Fund equity:			
Fund balances:			
Reserved for debt service	15,000	-	15,000
Unreserved	-	(45,792)	(45,792)
Total fund equity	15,000	(45,792)	(30,792)
Total liabilities and fund equity	\$ 15,000	-	15,000

See accompanying independent auditor's report.

Union County
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Detention Center	Conser- vation Capital Projects	Total
Revenues:			
None	\$ -	-	-
Expenditures:			
Capital Projects Service Area:			
Conservation land acquisition	-	169,378	169,378
Deficiency of revenues under expenditures	-	(169,378)	(169,378)
Other financing sources:			
Operating transfers in:			
Special Revenue:			
Resource Enhancement and Protection	-	8,974	8,974
Expendable Trust:			
Conservation Land Acquisition	-	116,129	116,129
Total other financing sources	-	125,103	125,103
Deficiency of revenues and other financing sources under expenditures	-	(44,275)	(44,275)
Fund balances beginning of year	15,000	(1,517)	13,483
Fund balances end of year	\$ 15,000	(45,792)	(30,792)

See accompanying independent auditor's report.

Union County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 236,278	1,524,051	1,760,329
Other County officials	-	20,783	20,783
Receivables:			
Property tax:			
Delinquent	-	148,457	148,457
Succeeding year		7,135,000	7,135,000
Accounts	-	33,813	33,813
Accrued interest	754	2,875	3,629
Special assessments	-	730	730
Due from other funds	-	16,187	16,187
Due from other governments	-	16,187	16,187
Total assets	\$ 237,032	8,898,083	9,135,115
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	65,532	65,532
Salaries and benefits payable	-	109	109
Due to other funds	-	21,772	21,772
Due to other governments	-	8,770,729	8,770,729
Trusts payable	-	32,868	32,868
Compensated absences	-	7,073	7,073
Total liabilities	-	8,898,083	8,898,083
Fund equity:			
Unreserved fund balance	237,032	-	237,032
Total liabilities and fund equity	\$ 237,032	8,898,083	9,135,115

See accompanying independent auditor's report.

Schedule 9

Union County
Expendable Trust Funds
Combining Balance Sheet
June 30, 2002

	Conservation Land Acquisition	Care Facility	Total
Assets			
Cash and pooled investments: County Treasurer	\$ 120,312	115,966	236,278
Accrued interest receivable	-	754	754
Total assets	\$ 120,312	116,720	237,032
Fund Equity			
Fund equity: Unreserved fund balances	\$ 120,312	116,720	237,032

See accompanying independent auditor's report.

Union County

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Conservation Land Acquisition	Care Facility	Total
Revenues:			
Use of money and property:			
Interest on investments	\$ 11,415	3,634	15,049
Miscellaneous:			
Donations	36,170	-	36,170
Total revenues	47,585	3,634	51,219
Expenditures:			
None	-	-	-
Excess of revenues over expenditures	47,585	3,634	51,219
Other financing uses:			
Operating transfers out:			
Capital Projects:			
Conservation Capital Projects	(116,129)	-	(116,129)
Total other financing uses	(116,129)	-	(116,129)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(68,544)	3,634	(64,910)
Fund balances beginning of year	188,856	113,086	301,942
Fund balances end of year	\$ 120,312	116,720	237,032

See accompanying independent auditor's report.

Union County
Agency Funds
Combining Balance Sheet
June 30, 2002

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	-	-	1,228
Other County officials	4,130	10,926	5,727	-
Receivables:				
Property tax:				
Delinquent	-	-	-	184
Succeeding year	-	-	-	80,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 4,130	10,926	5,727	81,412
Liabilities				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	50	7,013	-	-
Due to other governments	-	3,913	-	81,412
Trusts payable	4,080	-	5,727	-
Compensated absences	-	-	-	-
Total liabilities	\$ 4,130	10,926	5,727	81,412

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Driver License	Brucellosis and Tuberculosis Eradication
60,238	66,474	3,270	35,369	436	222,640	-	286
-	-	-	-	-	-	-	-
364	63,754	3,156	79,078	76	-	-	4
156,000	3,730,000	172,000	2,221,000	23,000	-	-	1,000
-	-	-	-	-	20	2,991	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
216,602	3,860,228	178,426	2,335,447	23,512	222,660	2,991	1,290
267	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	6,128	-	-
214,173	3,860,228	178,426	2,335,447	23,512	216,532	2,991	1,290
-	-	-	-	-	-	-	-
2,162	-	-	-	-	-	-	-
216,602	3,860,228	178,426	2,335,447	23,512	222,660	2,991	1,290

Union County
Agency Funds
Combining Balance Sheet
June 30, 2002

	Fire Districts	Emergency Manage- ment Services	Special Assess- ments	County Hospital	Law Enforcement Center
Assets					
Cash and pooled investments:					
County Treasurer	1,480	51,176	1,109	10,174	-
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	316	-	-	1,525	-
Succeeding year	76,000	-	-	676,000	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	730	-	-
Due from other funds	-	-	-	-	16,187
Due from other governments	-	-	-	-	16,187
Total assets	77,796	51,176	1,839	687,699	32,374
Liabilities					
Liabilities:					
Accounts payable	-	252	-	-	15,239
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	8,361
Due to other governments	77,796	48,232	1,839	687,699	8,774
Trusts payable	-	-	-	-	-
Compensated absences	-	2,692	-	-	-
Total liabilities	77,796	51,176	1,839	687,699	32,374

See accompanying independent auditor's report.

Sanitary Landfill	Landfill Expansion	Closure and Post Closure	Advance Tax	Anatomical Gift Donations	Empower- ment Area Funds	Total
587,540	159,245	203,640	23,061	2	96,683	1,524,051
-	-	-	-	-	-	20,783
-	-	-	-	-	-	148,457
-	-	-	-	-	-	7,135,000
30,802	-	-	-	-	-	33,813
-	1,340	1,535	-	-	-	2,875
-	-	-	-	-	-	730
-	-	-	-	-	-	16,187
-	-	-	-	-	-	16,187
618,342	160,585	205,175	23,061	2	96,683	8,898,083
25,362	-	-	-	-	24,412	65,532
109	-	-	-	-	-	109
220	-	-	-	-	-	21,772
590,432	160,585	205,175	-	2	72,271	8,770,729
-	-	-	23,061	-	-	32,868
2,219	-	-	-	-	-	7,073
618,342	160,585	205,175	23,061	2	96,683	8,898,083

Union County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices			Agricultural		Schools
	County Auditor	County Recorder	County Sheriff	Extension Education	County Assessor	
Assets and Liabilities						
Balances beginning of year	\$ 4,130	10,471	7,709	71,608	220,865	3,944,948
Additions:						
Property and other County tax	-	-	-	85,784	167,983	4,070,154
State tax credits	-	-	-	6,420	12,700	350,468
Contract law enforcement	-	-	-	-	-	-
Office fees and collections	-	164,089	31,206	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Solid waste fees	-	-	-	-	-	-
Drivers license fees	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	160	-	98,920	-	-	-
Miscellaneous	-	-	-	-	4,865	-
Total additions	160	164,089	130,126	92,204	185,548	4,420,622
Deductions:						
Agency remittances:						
To other funds	-	82,702	30,103	-	-	-
To other governments	-	80,932	358	82,400	189,811	4,505,342
Trusts paid out	160	-	101,647	-	-	-
Total deductions	160	163,634	132,108	82,400	189,811	4,505,342
Balances end of year	\$ 4,130	10,926	5,727	81,412	216,602	3,860,228

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Driver's License	Brucellosis and Tuberculosis Eradication	Fire Districts
190,345	2,391,595	21,518	201,809	-	1,091	83,267
190,504	2,329,847	24,779	-	-	1,571	86,996
17,096	261,390	1,487	-	-	134	5,515
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,499,455	-	-	-
-	-	-	-	-	-	-
-	-	-	-	15,872	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
207,600	2,591,237	26,266	2,499,455	15,872	1,705	92,511
-	-	-	77,292	-	-	-
219,519	2,647,385	24,272	2,401,312	12,881	1,506	97,982
-	-	-	-	-	-	-
219,519	2,647,385	24,272	2,478,604	12,881	1,506	97,982
178,426	2,335,447	23,512	222,660	2,991	1,290	77,796

Union County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	Emergency Management Services	Special Assess- ments	County Hospital	Law Enforcement Center	Sanitary Landfill
Assets and Liabilities					
Balances beginning of year	44,731	2,486	591,593	19,766	758,915
Additions:					
Property and other County tax	-	-	725,971	-	-
State tax credits	-	-	53,190	-	-
Contract law enforcement	-	-	-	109,261	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Solid waste fees	-	-	-	-	464,424
Drivers license fees	-	-	-	-	-
Assessments	-	3,029	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	76,245	-	-	505	82,596
Total additions	76,245	3,029	779,161	109,766	547,020
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	69,800	3,676	683,055	97,158	687,593
Trusts paid out	-	-	-	-	-
Total deductions	69,800	3,676	683,055	97,158	687,593
Balances end of year	\$ 51,176	1,839	687,699	32,374	618,342

See accompanying independent auditor's report.

Landfill Expansion	Closure and Post Closure	Advance Tax	Anatomical Gift Donations	Tax Sale Redemption	Empower- ment Area Funds	Total
153,587	195,581	27,619	3	-	153,020	9,096,657
-	-	-	-	-	-	7,683,589
-	-	-	-	-	-	708,400
-	-	-	-	-	-	109,261
-	-	-	-	-	-	195,295
-	-	-	-	-	-	2,499,455
-	-	-	-	-	-	464,424
-	-	-	-	-	-	15,872
-	-	-	-	-	-	3,029
-	-	33,081	-	166,219	-	298,380
6,998	9,594	-	94	-	233,653	414,550
6,998	9,594	33,081	94	166,219	233,653	12,392,255
-	-	-	-	-	-	190,097
-	-	37,639	95	-	289,990	12,132,706
-	-	-	-	166,219	-	268,026
-	-	37,639	95	166,219	289,990	12,590,829
160,585	205,175	23,061	2	-	96,683	8,898,083

Schedule 13

Union County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property and other County tax	\$ 2,984,930	2,601,693	2,665,113	2,586,395
Utility tax replacement excise tax	284,796	260,338	-	-
Tax increment financing revenues	-	651,688	659,483	666,491
	<u>3,269,726</u>	<u>3,513,719</u>	<u>3,324,596</u>	<u>3,252,886</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,784,722	1,710,790	1,735,668	1,518,836
Other	31,642	41,780	22,314	20,676
State grants and reimbursements including indirect federal funding:				
MH-DD community services fund allocation	98,278	102,428	93,793	93,793
Social services block grant	74,881	78,148	78,973	78,400
Human services administrative reimbursements	32,731	43,915	34,409	35,971
Public health grants	79,026	107,254	-	-
Mental health risk pool allocation	131,717	-	-	-
Highway planning and construction grant	93,770	-	-	-
Community development block grants	-	-	32,413	21,139
Resource enhancement and protection grant	9,147	9,932	29,180	52,386
Other	31,992	22,680	159,035	43,474
State tax replacements:				
State tax credits	250,794	243,692	223,296	211,806
State allocation	68,008	89,414	70,022	74,318
Mental health property tax relief	396,166	396,166	396,166	396,166
MH-DD allowed growth factor adjustment	44,982	61,659	62,846	58,812
Direct federal grants and entitlements:				
Medicaid	8,064	50	21,412	44,928
Other	4,570	14,897	8,285	2,125
Contributions and reimbursements from other governmental units:				
Transfer of road jurisdiction funding	900,000	-	-	-
Other	37,740	33,043	53,254	111,554
Payments in lieu of taxes	3,586	3,641	2,659	3,452
	<u>4,081,816</u>	<u>2,959,489</u>	<u>3,023,725</u>	<u>2,767,836</u>
Total	<u>\$ 7,351,542</u>	<u>7,124,896</u>	<u>7,007,804</u>	<u>6,687,213</u>

See accompanying independent auditor's report.



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Officials of Union County:

We have audited the general purpose financial statements of Union County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 30, 2003. Our report expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Union County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (10), (11) and (12).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B), (C) and (E).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 30, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Union County
Schedule of Findings
Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. One individual in the Treasurer's Office has control over investment custody and record keeping for which no compensating controls exist.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response – Will try to have someone from my office or possibly the Auditor's Office keep a record of the certificates of deposit.

Conclusion – Response accepted.

- (B) County Sheriff Trust Account – In order to properly account for assets received and held by the Sheriff's Office in a trustee capacity for others, certain procedures should be performed in a timely manner. The safe contained \$878 cash for which the County does not know the origin.

Recommendation – The County should attempt to determine the source of the cash located in the safe in order to determine proper disposition. Otherwise, the cash should be remitted to the County Treasurer and credited to the General Fund.

Response – The safe still contains the \$878 from the year before. I had talked with the County Attorney and we were going to come to a conclusion on the money. I had forgot about it after talking with the County Attorney, but will again contact him and try to identify the source and get it either disbursed to the General Fund or the proper entity.

Conclusion – Response accepted.

- (C) County Sheriff Commissary – The Sheriff's Office deposited jail telephone rebate receipts into the Sheriff's Commissary bank account. Receipts issued for collections could not be traced to specific deposits because deposit slips were not itemized. Commissary profits were not remitted to the County Treasurer. Also, expenditures for other than commissary resale items were made from the account, and were not charged against the Sheriff's budget. Store sale receipts for purchased items were not reviewed and approved by the jail administrator. The inmate trust account listing and the accumulated profits in the account were not reconciled with the bank balance on a monthly basis. In addition, the Sheriff's Commissary bank account incurred insufficient funds bank fees of \$330.

Union County
Schedule of Findings
Year ended June 30, 2002

Recommendation – Jail telephone rebate receipts should be remitted to the County Treasurer and credited to the Special Revenue, Law Enforcement Center (LEC) Fund. Deposit slips should list each check deposited to provide a link between receipts and deposits. Commissary profits should be periodically remitted to and expended from a Special Revenue Fund to ensure that purchases are properly budgeted and reflected in the County's accounting system. The jail administrator should review and approve all store sale receipts. A listing of inmate trust account balances should be reconciled with the bank balance on a monthly basis. The bank balance of the Sheriff's Commissary funds should be monitored in order to avoid insufficient fund bank fees.

Response – Will work with County Auditor to get telephone rebates into the LEC Fund. New deposit slips have been received for the jail to use in depositing money in the bank. The jail administrator will initial all store receipts and date them. In the past two checking accounts have been used creating confusion between the jail staff and bank. We have now gone to one checking account and balances should be better monitored.

Conclusion – Response acknowledged. However, Commissary profits should also be periodically remitted to and expended from a Special Revenue Fund and a listing of inmate trust account balances should be reconciled with the bank balance on a monthly basis.

- (D) County Recorder – Bank accounts are reconciled by the individual who also signs checks, handles and records cash.

Recommendation – Bank accounts should be reviewed by an independent person who does not sign checks, handle or record cash.

Response – I will ask the County Auditor's Office and see that it is done each month.

Conclusion – Response accepted.

- (E) Electronic Data Processing Systems – The County does not have written policies for requiring password changes since the software does not require the user to change log-ins/passwords periodically. Also, the County does not have a time off or log off function when terminals are left unattended.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Screen saver passwords or automatic log off should be utilized.

Response – Will check with CMS to see if we can implement screen saver passwords.

Conclusion – Response accepted.

Union County
Schedule of Findings
Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amount budgeted in the Physical Health and Education Service Area.

Disbursements during the year ended June 30, 2002 exceeded the appropriation in the Board of Health and General Services Departments prior to approved appropriation amendments or in total for the year.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Will make sure to do a budget amendment before area exceeds the budgeted amount.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald McLain, Supervisor, owns Union County Abstract Inc.	Services	\$ 100

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Union County
Schedule of Findings
Year ended June 30, 2002

- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of the Board proceedings were published, they were not published within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – County should insure that all board proceedings and claims are properly published as required.

Response – Will make sure minutes are done in a timely manner and taken to the paper as soon as possible.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions were in compliance with Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (10) Economic Development – The County paid \$16,860 to the Union County Public Funding Council which may not be appropriate expenditures of public funds since the public benefits to be derived have not been clearly documented.

According to an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by these expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – County will adopt Chapter 15A in board minutes.

Conclusion – Response accepted.

- (11) Deficit Fund Balance – The Conservation Capital Projects Fund had a deficit fund balance at June 30, 2002.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – Will make sure fund stays in a positive financial position.

Conclusion – Response accepted.

Union County
Schedule of Findings
Year ended June 30, 2002

- (12) Overpayment of Official Salaries - The County Sheriff was paid compensation in excess of that authorized due to additional payment for drug investigative work. The amount of the current year overpayment was as follows:

<u>Name and Title</u>	<u>Authorized Salary</u>	<u>Amount Actually paid</u>	<u>Over payment</u>
Rick Piel, County Sheriff	\$ 39,976	40,176	200

Recommendation - The Board of Supervisors should consult legal counsel to determine the disposition of these matters, including potential recovery of the overpayments. In addition, the previous County Sheriff and current County Sheriff owe potential refunds of \$279 and \$200, respectively, as reported in the prior year's audit.

Response - We will address this matter with the County Attorney.

Conclusion - Response accepted.

- (13) County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from the County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2002 for the County Extension Office did not exceed the amount budgeted.

Union County

Staff

This audit was performed by:

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